
Compound Interest Worksheet

1. Robert invested \$3,000 in a savings account with 3% annual **simple interest**. This means that in 1 year, 3% is earned on the balance. Every year, 3% is earned on the total balance that was deposited on the first day.
 - a. Calculate the interest Robert will earn in year 1: \$ _____
 - b. The balance at the end of month 1 will be: \$ _____
 - c. Calculate the interest Robert will earn in year 2: \$ _____
 - d. The balance at the end of year 2 will be: \$ _____
 - e. Calculate the interest Robert will earn in year 3: \$ _____
 - f. The balance at the end of year 3 will be: \$ _____

2. What is the total amount of interest Robert will have earned by the end of year 3?

3. Renee invested \$3,000 in a savings account with 3% annual **compound interest**. This means that because the interest is compounded every year, 3% is earned, but the interest each year is calculated on the new balance that includes the previous year's interest.
 - a. Calculate the interest Renee will earn in year 1: \$ _____
 - b. The balance at the end of year 1 will be: \$ _____
 - c. Calculate the interest Renee will earn in year 2: \$ _____
 - d. The balance at the end of year 2 will be: \$ _____
 - e. Calculate the interest Renee will earn in year 3: \$ _____
 - f. The balance at the end of year 3 will be: \$ _____

4. What is the total amount of interest Renee will have earned by the end of year 3?

5. Both Robert and Renee were earning interest at 3%. However Renee's interest was compounded. Who earned more interest over the 3 years? Explain in detail why this happened?

6. Complete the interest calculations for Robert and Renee for the rest of the year.
 - a. What will Robert's balance be at the end of the third year?
\$ _____
 - b. What will Renee's balance be at the end of the third year?
\$ _____

7. Describe the benefits of compounded interest?

